risks to the program and the silent costs it imposes on beneficiaries would be unfair. Older Americans already pay a lot out of their own pockets for medical care—$2,750 on average in 1995 alone—not including the costs associated with long-term. The Senate bill already increases Part B premiums and deductibles and includes a new income-related premium. Adding hidden costs would add to this out-of-pocket burden.

Thank you, again, for your leadership on this amendment. Please feel free to contact me (434–3750) or Tricia Smith (434–3770) if you would like to discuss this amendment further.

Sincerely,

MARTIN CORRY,
Director, Federal Affairs.

AMERICAN COLLEGE OF PHYSICIANS,
Washington, DC, October 26, 1995.

Hon. KENT CONRAD,
U.S. Senate, Hart Senate Office Building, Washington, DC.

DEAR SENATOR CONRAD: As the Director of Public Policy for the American College of Physicians (ACP), I am writing to express the ACP's support for your amendment to eliminate the budget expenditure limit tool (BELT) from the Medicare reform legislation currently pending before the Senate.

The ACP is the nation's largest medical specialty society and has more than 85,000 members who practice internal medicine and its subspecialties. The College has consistently objected to the BELT provisions in the legislation because they establish arbitrary budget limits that dictate future payment amounts and impose price controls. These provisions make the simplistic and incorrect assumption that spending increases, regardless of cause, should be recouped by lowering payments to hospitals, physicians, and other providers.

Rather than arbitrary price controls, the College believes that the more effective way to achieve cost containment in the Medicare program, is to address the long-term factors that contribute to excess capacity and inappropriate utilization of services.

Thank you for your attention to this important matter.

Sincerely,

HOWARD B. SHAPIRO,
Director, Public Policy.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 20, 1995.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Committee on Finance, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office (CBO) has prepared the enclosed cost estimate for the Medicare reconciliation language reported by the Senate Committee on Finance on October 17, 1995.

The estimate shows the budgetary effects of the committee's proposals over the 1996–2002 period. CBO understands that the Committee on the Budget will be responsible for interpreting how these proposals compare with the reconciliation instructions in the budget resolution.

This estimate assumes the reconciliation bill will be enacted by November 15, 1995; the estimate could change if the bill is enacted later.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JUNE E. O'NEILL,
Director.

Enclosure.

FAIL-SAFE MECHANISM (BUDGET EXPENDITURE LIMITING TOOL)

The proposal incorporates a complex mechanism designed to ensure that Medicare outlays in a given two year period would not exceed the Medicare outlays specified in the bill for that period. The budget expenditure limiting tool (BELT) would operate both prospectively and retrospectively to control fee-for-service expenditures. Expenditures in the Choice market would not be directly affected because they would be determined by the updates to capitation rates specified in the bill.

Overview of the BELT

The BELT would reduce fee-for-service payment rates in order to eliminate any estimated Medicare ''outlay deficit''. A Medicare outlay deficit would occur if spending in fee-for-service Medicare for the current year and preceding one exceeded the combined outlays for those years specified in the bill. On October 15 of each year, the Office of Management and Budget (OMB) would report whether a Medicare outlay deficit was projected for that fiscal year. If so, a compliance order would be issued that would first require all automatic payment-rate updates to be frozen or reduced. If a freeze was insufficient to keep projected spending within the budget targets, proportional reductions would be made in payment rates for all providers.

The following March, OMB would release a report comparing current estimates of Medicare spending with the estimates released in October. If a compliance order was in effect for the year and the March projection continued to show a Medicare outlay deficit through the end of the year (despite previous rate reductions), the Administration would order further reductions in provider payment rates for the remainder of the fiscal year. Conversely, if the March projection indicates that current payment rates would more than eliminate the Medicare outlay deficit, those rates would be raised for the remainder of the fiscal year.

Following the release of OMB's October and March reports, the Congress would have a limited time in which to seek modifications to compliance orders. At least 60 percent of the members of each House would be required to approve provisions that would either lower the target reduction in spending or reduce the proposed payment reductions to less than the amounts necessary to eliminate the projected excess spending.

After fiscal year 1999, the Secretary of Health and Human Services could vary the adjustments in payment rates—in a budget-neutral way—to take geographical differences into account. The Secretary would be required to relate such variations to the contributions of different areas to excess Medicare expenditures.

Effects of the BELT

CBO's estimates assume that the specific policies to reduce Medicare spending in the bill would be sufficient to meet budget targets, and that use of the BELT would not be necessary through 2002. If the BELT was triggered, however, it probably would not be effective in controlling Medicare expenditures.

Uniform, across-the-board payment rate reductions that would be required by the BELT to meet a dollar savings target would not have uniform impacts on all providers, and would be extremely difficult to implement. A given percentage reduction in payment rates might be more or less stringent depending on the ability of different providers to adjust by increasing the volume and intensity of services they provide. Determining appropriate across-the-board reductions in payment rates to meet the budget targets would be complex, because estimators would have to take into account the variation in behavioral responses from different provider groups when faced with the same proportional reductions in payment rates. Allowing geographic variation in payment rate adjustments would add another layer of complexity to the whole process.

Rate adjustments under the BELT could be both frequent and inaccurate, and could increase uncertainty among providers. The October adjustment would be based on incomplete data for the previous fiscal year, and no data for the current year. Although more complete data would be available for the March adjustment, it would still include less than six months of data from the current year. Even minor discrepancies between the October and March projections would lead to payment rate adjustments under the BELT. Frequent, unpredictable changes in payment rates could interfere with the orderly business operations of providers.

The proposal also raises other issues of implementation. Compliance orders issued in October and March are intended to be effective immediately. Even if formal public notification requirements were waived, however, carriers and fiscal intermediaries would presumably require some advance notice. Moreover, the first steps in a compliance order would be to freeze or reduce automatic payment updates. But those updates do not generally occur at the beginning of the federal fiscal year. Updates for Part B payment rates, for example, are made on a calendar year basis while those for inpatient hospital operating payments are made at the beginning of each hospital's fiscal year. How across-the-board cuts in payment rates from the BELT would be integrated with the existing update policy is unclear.

THE BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, the impression will not go away: The $4.9 trillion Federal debt stands today as a sort of grotesque parallel to television's energizer bunny that appears and appears and appears in precisely the same way that the Federal debt keeps going up and up and up.

Politicians like to talk a good game—and talk is the operative word—about reducing the Federal deficit and bringing the Federal debt under control. But watch how they vote. Control, Mr. President. As of Tuesday, October 31 at the close of business, the total Federal debt stood at exactly $4,985,262,110,021.06 or $18,924.14 per man, woman, child on a per capita basis. Res ipsa loquitur.

Some control.

TRANSPORTATION APPROPRIATIONS

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Mr. SPECTER. Mr. President, as a member of the Senate Subcommittee on Transportation Appropriations, I am pleased to speak in support of the fiscal year 1996 Transportation appropriations conference report. This is an important piece of legislation, providing $37.5 billion for purposes including funding our Nation's highway, rail, and air transportation infrastructure, mass transit, Amtrak, and pipeline safety. This legislation will keep Americans on the move, create jobs, and improve our infrastructure, resulting in additional environmental and energy benefits.

I commend Chairman HATFIELD and our ranking minority member, Senator